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January 28, 2009

TO: Each Supervisor

FROM: John F. Schunhoff Ph.D.  
Interim Director

SUBJECT: **MEDICARE PART D IMPLEMENTATION – MONTHLY  
STATUS REPORT - DECEMBER 2008**

This report is intended to provide a current status of DHS' implementation of the Medicare Part D pilot program at the identified two pilot sites. The pilot programs are scheduled to commence on or before March 31, 2009, pending successful acquisition and installation of the vendor secondary billing system software, hardware, pilot site staff training and implementation of workflow changes.

DHS Pharmacy has coordinated regular monthly stakeholder meetings with the Medicare Part D Work Team. This Work Team is composed of DHS Information Technology (IT), DHS Finance, Contracts & Grants (C&G), and DHS Pharmacy. In addition, County Counsel and representatives from the two pilot sites (Rancho Los Amigos National Rehabilitation Center and Martin L. King, Jr. – MACC) have been active participants.

Attached is a copy of the December 2008 monthly status report. The highlights of this month's report include:

- The DHS IT department finalized purchases of the necessary software and hardware for implementation of these pilot programs. DHS IT is in the process of finalizing an implementation schedule with the vendor and two pilot sites.
- DHS Finance is in the process of analyzing the projected revenue impact of Medicare Part D implementation, and are exploring automated and manual processes of financial eligibility verification with DHS IT.
- DHS Pharmacy is assisting DHS Finance in analyzing the revenue impact of Medicare Part D implementation at the two pilot sites. DHS Pharmacy is in the process of finalizing the Medicare Part D metrics/benchmarks that will include operational/financial impact, and patient satisfaction.

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- Contract and Grants (C&G) will finalize a Board letter requesting delegated authority in order to execute the Medicare Part D contracts. C&G is working with County Counsel to determine if the various vendor terms and conditions are acceptable to the County.

If you have any questions or need additional information, please let me know.

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Attachments

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors

### Medicare Part D Pilot Implementation – Monthly Status Report Month: December 2008

#### Objectives

The primary objective of this project is to establish two pilot outpatient pharmacy sites within DHS that will allow for processing and billing of DHS Medicare Part D prescriptions. Currently, DHS outpatient pharmacies are forwarding patients with Medicare Part D insurance to nearby community pharmacies for dispensing of needed medication. This pilot implementation will seek to gather data on the impact of Medicare Part D prescription dispensing to pharmacy operations, expenditure/revenue, patient acceptance and patient satisfaction. Through the collection of baseline metrics, the effectiveness of the pilot site and the impact to patient care will be assessed. DHS has assembled a “Medicare Part D Work Team” that will meet monthly in order to accomplish the specific objectives outlined below.

Specific objectives:

- 1) Install a dual entry pharmacy information system to allow two DHS outpatient pharmacy sites to enter in billing information and perform online claims adjudication with the contracted Medicare Part D Prescription Drug Plan (PDP) providers.
- 2) Enter into a contractual relationship with multiple 2009 Medicare Part D PDP providers that provide service to the dual eligible (Medi-Medi) patient population so that prescriptions may be dispensed within the two pilot onsite pharmacies and revenue obtained.
- 3) Provide patient notice and education regarding Medicare Part D pilot implementation at each pilot site. Finance Department to play integral role in pilot roll-out and revenue assessment.
- 4) Commence Medicare Part D prescription dispensing services and claims adjudication by April 30, 2009 at two pilot outpatient pharmacy sites. Continue pilot for 6 months.
- 5) Review impact to facility operations as a result of the Medicare Part D pilot implementation. Establish metrics to assess operational, financial and patient care impact for Medicare Part D dispensing services.

#### Key Project Roles and Responsibilities

- DHS Information Technology – Contracting, purchase, and installation of dual entry system at pilot pharmacy locations. To oversee training and implementation.
- DHS Finance – oversee the review of impact to facility Finance as a result of the implementation. DHS Finance team to review and evaluate financial operational impact of implementation of Medicare Part D plans, e.g., assignment of General Ledger (G/L) #'s, posting of Medicare Part D revenue, Cost Report changes, etc.
- DHS Contract and Grants – oversee Medicare Part D Prescription Drug Plan (PDP) contract negotiation and implementation.

- DHS Pharmacy – oversee Medicare Part D project implementation, lead DHS work team meetings, prepare Board status reports, and gather data for final analysis.
- Rancho Los Amigos NRC Pharmacy and Hospital Administration – oversee implementation of pilot at RLA outpatient pharmacy; identify issues and collect data for assessment of implementation.
- Martin L. King, Jr. MACC Pharmacy and Hospital Administration – oversee implementation of pilot at MLK MACC outpatient pharmacy; identify issues and collect data for assessment of implementation.

## Project Status

The project summary below provides a view of the status of the various implementation arms of the Medicare Part D project:

| Month          | Project Objective - Status |                           |                        |                    |                    |
|----------------|----------------------------|---------------------------|------------------------|--------------------|--------------------|
|                | IT Implementation          | PDP Contract Status (C&G) | Finance Implementation | RLA Implementation | MLK Implementation |
| September 2008 |                            |                           |                        |                    |                    |
| October 2008   |                            |                           |                        |                    |                    |
| November 2008  |                            |                           |                        |                    |                    |
| December 2008  |                            |                           |                        |                    |                    |

*Project Status Key:*

|  |                                     |  |   |  |  |
|--|-------------------------------------|--|---|--|--|
|  | Implementation Progress on Schedule |  | Implementation Progress Delayed – May Impact Project End Date |  | Implementation Progress Critical – May Significantly Impact Project End Date |
|--|-------------------------------------|--|---|--|--|

## DHS Information Technology

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| September 2008 | <p>Obtained a precise quote from DAA Enterprises for pharmacy billing software purchase, training, and maintenance cost.</p> <p>Located purchase order information. Clinical Systems Integration, Pharmacy (CSIP) will investigate with the contracting group within IT to either amend the purchase order or initiate a contract with DAA Enterprises.</p> <p>Information Technology is also working with system vendors and pharmacy users to determine project scope, and to produce a high level project time line.</p> |
| October 2008   | <p>Facilitated meetings with the pharmacy delegates from the pilot sites. Documented IT related concerns and issues that require attention in moving forward in the pilot program. Consulted on workflow impact and operational risks at pilot sites.</p> <p>Drafted a high level IT project plan with timeline for pharmacy billing system install. Tasks included design, procurement, installation, implementation, and training. Drafted project scope and functional requirements.</p>                                 |

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|               | <p>Organized and facilitated vendor software demo to DHS Finance, DHS Pharmacy, MLK MACC and Rancho Los Amigos Pharmacy.</p> <p>Obtained formal quote from DAA Enterprises for pharmacy billing software purchase, training, and maintenance cost.</p> <p>Analyzed provider contract for potential risk or impact to IT implementation. Initiated analytical efforts to determine current state of carrier vs. finance codes. Discussed with Finance the basic nomenclature of carrier codes from Affinity. Obtained downloads of current crosswalk between Affinity and PSCAS Pharmacy systems.</p>   |
| November 2008 | <p>Software and hardware specifications have been reviewed and approved by pharmacy pilot sites (RLA NRC and MLK MACC).</p> <p>HS-2 request for hardware submitted to Material Management by Information Resource Management. Pending approval by Material Management.</p> <p>Sole source justification for software drafted due to Internal Services Department (ISD) predefined cost limits exceeded. Additional information is required prior to submission of sole source justification to ISD.</p> <p>Drafted a tentative IT project plan for Medicare Part D pilot project for scheduled implementation for April 2009. Project plan to be reviewed by the Medicare Part D Work Team.</p>  |
| December 2008 | <p>First shipment of ordered hardware for RLA NRC and MLK MACC installation has been received by Information Systems Department. Awaiting second shipment from vendor.</p> <p>Purchase order submitted to DAA Enterprises for Visual Superscript software, maintenance fees, and onsite training from vendor. Awaiting arrival of shipment.</p> <p>Discussions with RLA NRC and MLK MACC pharmacy and IT in identifying roles, responsibilities, and issues.</p> <p>Currently revising Microsoft Project plan for the Medicare Part D pilot.</p> <p>Discussions with vendor and local IT for Medicare Part D IT implementation schedule in development. Installation of software and onsite training to be incorporated in implementation schedule.</p> <p>IT coordinated efforts with Finance for continued development of an automated and manual Medicare eligibility check system within Health Services systems at RLA NRC and MLK MACC.</p> <p>DHS IT to oversee MLK MACC IT operations for the Medicare Part D pilot.</p> |

#### **DHS Finance**

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| September 2008 | On August 18 <sup>th</sup> , and 27 <sup>th</sup> conducted meetings with Revenue Management staff to discuss scope of project, brain storm on issues that need to be addressed, |
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|              | <p>i.e., G/L # assignment, possible assignment of new insurance and payment (revenue) codes, cost reporting implications, and Medicare Part D screening, etc. Assigned staff to investigate and research various Medicare Part D issues.</p> <p>On August 22<sup>nd</sup> reviewed and provided comments regarding the draft minutes of first Medicare Part D Work Team meeting, and Medicare Part D Work Team Roles and Responsibilities.</p> <p>Awaiting feed back from County Counsel regarding whether or not DHS can waive Medicare Part D co-payments as the DHS does for Medi-Cal co-payments.</p> <p>Contacted Provider Advantage on August 20<sup>th</sup> to ask if the Medicare Part D coverage type will be available via the VeriLink 270/271 Eligibility Inquiry/Response process.</p> <p>On August 19<sup>th</sup> Larry Gatton appointed Terry Ford as the DHS Finance point person for this project. On August 23<sup>rd</sup> Allan Wecker appointed Helen Jew, Chief Program Audits/Reimbursements, as a member of the DHS Finance Medicare Part D Work Team to address expenditure and cost report Medicare Part D related issues.</p>   |
| October 2008 | <p>Alerted and provided general overview of Medicare Part D project to key RLA, MLK, and Harbor Metro Care Finance Staff.</p> <p>Meetings with Revenue Management staff to discuss G/L # assignment, possible assignment of new insurance and payment codes, cost reporting implications, and Medicare Part D screening, patient education, etc. Staff distributed various CMS Medicare Part D patient education materials (available in both English and Spanish) for review and discussion.</p> <p>On September 22<sup>nd</sup> provided input on the draft "Estimated New Revenue" document and RLA Pharmacy Financial Code Analysis: Medi-Medi patients for the meeting. Suggested revisions and to be presented at a future meeting. Finance offered to meet with the appropriate Pharmacy staff to revise their Affinity to PSCAS crosswalk table.</p> <p>Provided input in discussion on departmental responsibilities for patient education and counseling. Suggested that Medicare Part D patient education be defined as the distribution of CMS-approved Medicare Part D Fact Sheets that include step-by-step information to help patients select and join a Part D prescription plan. This patient hand-out information is available in both English and Spanish. The Team decided that Patient Financial Services (PFS) staff could distribute (or add) this material to their admission/visit packets for patients and include the Part D information telephone number (800- 633-4227). Further discussion is encouraged to determine referral by PFS staff for additional information.</p> <p>Requested DHS IT information systems overview of Medicare Part D system; specifically, the work flow of pilot program.</p> |

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|               | <p>Discussions with County Counsel regarding the status of updating County Counsel's opinion concerning Medi-Cal co-pay to include Medicare Part D co-pay.</p> <p>Suggested that the Estimated New RLA Revenue for Top 20 Drugs Dispensed Comparing Medicare Part D Plans Matrix be revised with input from Finance.</p> <p>Revenue Services met with Pharmacy staff to develop a revised PSCAS table to properly identify the payer status of patients.</p> <p>Formally requested the DHS healthcare information systems provider when their system will be able to record Medicare Part D coverage and plan information.</p> <p>Met with Provider Advantage, a DHS revenue contract vendor, regarding Medicare part D coverage and plan identification.</p> <p>Continued to meet with DHS Revenue and Expenditure staff as well as facility staff to address numerous implementation issues.</p>   |
| November 2008 | <p>Revenue Services (RS) met with Pharmacy staff to review development of a PSCAS billing crosswalk. The group concluded that the PSCAS insurance codes are inaccurate, and the RLA NRC and MLK MACC PSCAS insurance codes differ. RS staff agreed to develop a revised PSCAS Crosswalk Table and requested that Pharmacy provide detailed PSCAS information.</p> <p>RS and Pharmacy staff met on November 13<sup>th</sup> to review the Medicare Part D projected revenue report previously issued to the MPD Team for Rancho Los Amigos National Rehabilitation Center (RLANRC).</p> <p>RS met with Revenue Management staff at RLANRC to discuss the feasibility of auto-filling the 270/271 Eligibility Inquiry/Response (EIR) process into Affinity for Pharmacy use. Conferees concluded that a 270/271 EIR may be generated in the clinics where patients receive prescriptions and that without system modifications, the 271 EIR could be stapled to the patient's prescription and presented to the Pharmacy as proof of Medicare Part D coverage.</p> <p>Continued contact with Provider Advantage regarding whether the Medicare Part D coverage type will be available via the VeriLink 270/271 EIR process.</p> <p>Provided recommendations to the Medicare Part D Metrics/Benchmarks document.</p> <p>Discussions with key RLA NRC, MLK MACC, and Harbor Metro Care Finance staff on preparations to implement Medicare Part D pilot project.</p> <p>Discussions with Revenue Management staff on issues, concerns, follow-up work, and brain storm on issues that need to be addressed, i.e., G/L # assignment, possible assignment of new insurance and payment codes, cost reporting implications, Medicare Part D screening, patient notice, etc.</p> |

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|               | <p>Continued research of CMS website for Medicare Part D facts that may impact PFS operations.</p> <p>Revenue Services forwarded a contact to DHS Pharmacy to assist in the financial impact of implementation of Medicare Part D at RLA NRC and MLK MACC.</p> <p>Request to Pharmacy to confirm the Pharmacy contacts/representatives for each facility requiring credit/debit card terminals have been appraised.</p>  |
| December 2008 | <p>In ongoing discussions with Pharmacy, Information Technology, and Internal Services to determine the feasibility of using PSCAS in the Medicare Part D pilot program. Reviewed the Provider Advantage 270/271 eligibility inquiry/response process as the basis for updating the PSCAS system with an estimated cost of \$30,000.</p> <p>Discussions with DHS Pharmacy in forecasting Medicare Part D projected revenue. Methodology to obtain financial data was revised with additional analysis scheduled.</p> <p>In coordination with other County departments, DHS Finance to submit the application to the Treasurer-Tax Collector for credit/debit terminals. The advisability/feasibility of pre-paid debit cards are under review.</p> <p>Continuing discussion with RLA NRC and MLK MACC Finance in support of the Medicare Part D pilot program.</p> <p>Discussions on issues, concerns, follow-up work, and brain storm on issues that need to be addressed, i.e., G/L # assignment, possible assignment of new insurance and payment codes, cost reporting implications, Medicare Part D screening, patient notice, etc.</p> <p>Research of Centers of Medicare and Medicaid Services (CMS) website for possible operational issues.</p> |

#### **DHS Contracts and Grants**

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| September 2008 | <p>Contracts and Grants has received a copy of the nine Medicare Part D PDP contracts for 2008, and are in the process of reviewing with County Counsel, as the 2009 PDP plans have not yet been announced. Once the 2009 PDP plans are announced (expected to be late September, 2008), these plans will be reviewed with County Counsel to identify target plans based on (1) contracting terms and (2) DHS formulary match. Any operational contractual requirements will be raised at the next meeting. Any IT contractual requirements to be forwarded to Alice To and raised at the next meeting.</p> <p>Contracts and Grants is working with County Counsel to identify whether the Medicare Part D co-pay may be legally waived for DHS patient dispensing medications within onsite pharmacies.</p> |
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| October 2008  | <p>Contracts and Grants reviewed the nine 2008 Medicare Part D PPD contracts and in consultation with Sharon Reichman, County Counsel, reported to the Work Team that the County will accept the terms and conditions of the PPDs.</p> <p>Contract and Grants recommend requesting delegated authority from the Board to sign 2009 Medicare Part D PDP contracts. Request for delegated authority is to be submitted in February 2009 in anticipation for Medicare Part D PDP contract signing.</p> <p>The six 2009 PPDs (Bravo Health, First Health Part D, Health Net, RxAmerica, UniCare and WellCare) were announced on September 26<sup>th</sup>. Shane D'Souza will obtain the official 2009 plan documents and review them for revised pharmacy reimbursement amount. Dr. D'Souza will also forward them to County Counsel and Contracts and Grants to determine whether the terms and conditions are acceptable to the County. Contracts and Grants on target to produce a Board letter in April 2009.</p> |
| November 2008 | <p>Contracts and Grants provided direction to Pharmacy Affairs regarding the process to secure a check for the Medicare Part D PDP contract with Medco (Bravo Health). A check must accompany each application for which Medco (Bravo Health) will review and if approved, send a contract for County's review which will then be provided to County Counsel for legal review. Additionally, Contracts and Grants provided a statement from CEO Risk Management regarding the County being legally self-insured that is required as part of the Medco (Bravo Health) application process.</p> <p>Contracts and Grants on target for a Board letter for April implementation of Medicare Part D pilot program.</p>  |
| December 2008 | <p>Contracts and Grants drafting a Board letter for delegated authority to sign 2009 Medicare Part D Prescription plan contracts.</p> <p>County Counsel to determine the collection of the Medicare Part D co-pay. Review of government regulations in progress.</p>   |

#### **DHS Pharmacy**

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| September 2008 | <p>Providing leadership to Medicare Part D work team, for which the first meeting took place on August 18<sup>th</sup>. Work team roles and responsibilities document approved, and department assignments were provided. At this meeting, analysis of DHS patient Medicare Part D statistics were reviewed, as well as CMS plans for Medicare Part D plans for 2009. Prepared meeting summary for 8/18/08 meeting and distributed to work team members. Monthly meetings established for remainder of the calendar year.</p> <p>Contacted CMS pharmacist in order to obtain update in status of release of Medicare Part D PDP for 2009. On August 14<sup>th</sup>, the Centers of Medicare and Medicaid released the 2009 California benchmark, which is now raised to \$24.86 (from \$19.80), but the actual plan names will be released in late September. Also provided to the committee was the 2009 Call Letter for Medicare Part D Sponsors for detailed information regarding preparation for 2009.</p> |
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|               | <p>Contacted RLA and MLK CEO's to discuss their facility's role in implementation of Medicare Part D pilot site, and requested facility representation for the next work team meeting. Requested IT implementation plan from DHS IT so that high level project time line may be developed.</p>   |
| October 2008  | <p>On September 22<sup>nd</sup>, DHS Pharmacy presented Medi-Medi prescription data obtained from the Data Warehouse for RLA between January and July 2008. A 50 patient sample revealed majority of prescriptions filled under the MC (Medi-Cal or subsidiaries) and MD (Medicare) insurance carriers within the PSCAS pharmacy system</p> <p>The estimated new RLA revenue for the top 20 drugs dispensed to Medi-Medi patients revealed potential revenue gains from a sample of three Medicare Part D PDP 340B contract plans. Projection of additional prescription volume yielded corresponding additional revenue. However, these revenue estimates need to be reviewed with DHS Finance.</p> <p>Patient education and outreach of Medicare Part D plan options determined as integral portion of the success of the pilot program. Further discussion is needed to determine various departmental roles in patient education and outreach.</p> <p>On September 26<sup>th</sup>, DHS Pharmacy received and determined the 2009 Medicare Part D PDP plans for low income subsidy patients. The six Medicare Part D PDP plans were forwarded to the Work Team for review along with the 2009 Medicare Part D California Fact Sheet.</p> <p>DHS Pharmacy is in the process of contacting the six plans to determine changes in contractual terms and reimbursement rates. All new contracts forwarded to the Contracts and Grants group.</p> |
| November 2008 | <p>DHS Pharmacy contacted the six Medicare Part D PDP plans and received five contracts and one application (Medco) for the 2009 pilot implementation. Contracts and Grants group were forwarded copies of the contracts for review.</p> <p>DHS Pharmacy reviewed six 2009 Medicare Part D PDP contracts for operational issues and reported back concerns to Medicare Part D Work Team.</p> <p>DHS Finance assisting DHS Pharmacy by forwarding a contact person to help assess the revenue impact of Medicare Part D at RLA NRC and MLK MACC.</p> <p>On November 24<sup>th</sup>, DHS Pharmacy shared historical prescription data to the work team. Trends from fiscal years 2006-2007 and 2007-2008 showed a decrease in prescription volume. MLK and RLA to use contract staff until workload is manageable.</p> <p>DHS Pharmacy drafted the Medicare Part D Metrics/Benchmarks document for review by the Medicare Part D Work Team. Metrics/benchmarks include operational impact, financial impact, and patient satisfaction/interest. Feedback was provided by DHS Finance on metrics/benchmarks parameters.</p> <p>Supporting DHS Finance in analyzing the revenue impact of Medicare Part D</p>   |

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|               | <p>implementation at RLA NRC and MLK MACC. The data set (prescriptions filled for Medi-Medi patients as recognized in PSCAS between January – July 2008), provided by the Data Warehouse, was forwarded to DHS Finance for analysis.</p>   |
| December 2008 | <p>DHS Pharmacy submitted an HS-2 for the Bravo Health (Medco) application fee (\$100 per pharmacy). A separate HS-2 was submitted for RLA NRC and MLK MACC pharmacies, respectively. Medco contracts are to be received by DHS Pharmacy pending approval of application.</p> <p>Revised Medicare Part D Metrics/Benchmarks for the pilot program. Input received from DHS Finance.</p> <p>Participation in the meeting with IT, ISD, and DHS Finance to evaluate the feasibility of the financial crosswalk between Affinity and PSCAS.</p> <p>Assisting Contracts and Grants in the development of the Board letter for Delegated Authority to sign Medicare Part D contracts.</p> |